



## CIRCULAR

Reference: 2023 Annual Statutory Returns (ASR)  
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## **Circular 12 of 2024: Annual Financial Statements and Annual Statutory Returns for 2023**

The purpose of this Circular is to provide the industry with information relevant to the Annual Financial Statements and Annual Statutory Returns for 2023.

### **SAICA Guide**

The Council for Medical Schemes (CMS) wishes to inform stakeholders that the South African Institute of Chartered Accountants' Medical Schemes Accounting Guide ([SAICA Guide](#)) for the 2023 financial year has been revised.

The SAICA Guide, which was put together in consultation with stakeholders, assumes compliance with International Financial Reporting Standards (IFRS) and any additional financial reporting necessary to operate the business of a medical scheme.

It is important to note that the SAICA Guide is not considered complete in all aspects. Readers are advised to read the SAICA Guide in conjunction with applicable legislation, [Circulars](#) from the CMS, and IFRS, where appropriate, to ensure that all areas are adequately covered.

The SAICA Guide does not address audit issues. The Independent Regulatory Board for Auditors (IRBA) issues separate guidance for auditors of medical schemes.

### **IT Specifications for the Annual Statutory Return (ASR)**

With the introduction of the International Financial Reporting Standard (IFRS) 17: Insurance Contracts, many parts of the ASR required substantial changes. [Circular 43 of 2023](#) requested the industry to provide comments on the proposed specifications for the 2023 financial year. The specifications of the Annual Statutory Return (ASR) for the 2023 financial year were updated following engagement with the industry and can be found [here](#).

The specifications have now also been aligned with the South African Institute of Chartered Accountants' Medical Schemes Accounting Guide ([SAICA Guide](#)). It should be noted that although the return is aligned with IFRS disclosures, it does not need to adhere to IFRS as it is a regulatory tool.

The parts that were amended in line with the comments received are:

#### **Part 4.3: Trade and other receivables**

This part has now been split between Trade and other receivables – Loan and receivables (Part 4.3(a)), Insurance Contract Assets (Part 4.3 (b)) and Reinsurance Contract Assets (Part 4.3(c)).

#### **Part 4.8 Trade payables**

This part has now been split between Trade payables (Part 4.8(a)), Insurance Contract Liabilities (Part 4.8(b)) and Reinsurance Contract Liabilities (Part 4.8(c)).

#### **Part 4.16.1 Administration expenditure**

Administration expenditure has been amended to allow for expenses that are directly attributable to insurance contracts. Based on feedback received from the industry per [Circulars 29](#) and [43 of 2023](#), CMS has enabled schemes to split all expense lines between that of directly attributable expenditure or not directly attributable expenditure.

#### **Part 4.23: Net income/expense per benefit option and Part 6.1 Statement of Comprehensive Income**

These parts have been aligned to the new format of the IFRS 17 Statement of Comprehensive Income. Part 4.23, however, requires more detailed information than what is necessary in Part 6.1.

#### **Part 5: Statement of Financial Position**

Part 5 had been prepared by disclosing the detailed figures that represent a net position in the AFS. For example, Insurance Contract Assets are included under liabilities as a sub-item of Insurance Contract Liabilities as it is assumed that in the majority of cases, the net position would be a liability. Insurance Contract Liabilities therefore consist of Outstanding Claims Provision, Personal Medical Savings account liability, Insurance Contract Assets, and other Insurance Contract Liabilities.

Revaluation reserves fall under Reserves and non-controlling interest. With medical schemes being regarded as mutual entities, Accumulated Funds and other reserves will now form part of Insurance liabilities for members under non-current liabilities.

### **Annual Financial Statements (AFS)**

#### **Statement of Comprehensive Income**

As medical schemes meet the definition of mutual entities, IFRS 17 requires the Amounts attributable to future members to be disclosed under the Insurance Service Expenses in the Statement of Comprehensive Income in the AFS. It should be noted that there will be a difference from Part 6.1 where Amounts attributable to future members are disclosed just below the Income/(Expense) attributable to current members for the year after consolidation (i.e. after the net results line).

The inclusion of Amounts attributable to future members in the Insurance Service Expense would result in an anticipated zero net result. CMS requires medical schemes in terms of Section 37(2) to disclose information to members in the notes to the AFS in relation to the net healthcare result and net surplus / (deficit) without the inclusion of this item (i.e. without the inclusion of Amounts attributable to future members in the Insurance Service Expense) to allow members to gain an understanding of the annum's results. This disclosure must be included as part of the benefit option results note.

In Part 6.1, a line for Onerous contracts has been added for schemes that apply IFRS 17 at the benefit option or scheme level where a scheme has onerous contracts and needs to recognise losses on the onerous contracts or in instances where a scheme needs to reverse losses on onerous contracts that were previously recognised. In the IFRS 17 Statement of Comprehensive Income in the AFS, the losses and reversals of losses on onerous contracts form part of Insurance Services Expenses.

### ***Benefit options results***

Benefit option results are required to be disclosed in both the AFS and ASR in terms of Section 37(4)(d) (also refer to [Circular 4 of 2008](#)).

CMS wishes to confirm that the disclosure in the AFS per benefit options must exclude the Amounts attributable to future members (i.e. the Amounts attributable to future members must not be included in the Insurance Service Expense and should therefore not be allocated to the benefit options).

In assessing the benefit options' compliance with Section 33(2) of the Act, the CMS will therefore not consider the Amounts attributable to future members. The assessment will be based on the Net healthcare result (Insurance service result) and Income/(Expense) attributable to current members as per Part 4.23.

### **Solvency**

As medical schemes fall within the definition of mutual entities, schemes are required in terms of IFRS 17 to disclose the amounts attributable to current and future members as part of Insurance liabilities because the scheme is obliged to:

- Provide coverage to that member;
- Pay incurred claims of that member; or
- Provide coverage to future members (IFRS 17.B71 liability).

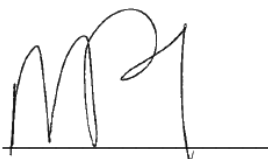
This results in the accumulated funds being reduced to zero. It is important to note that this represents the accumulated funds definition for accounting purposes, and not for solvency purposes.

In response to the accounting change, members' funds have been replaced by 'Amounts attributable to current and future members' in Part 10.2. The calculation, however, still includes all the line items that were previously included as part of members' funds. The calculation, therefore, remains unchanged.

### **2023 Submissions to CMS**

Significant changes to the Annual Statutory Returns system were required due to the implementation of IFRS 17. As a result, there will be a delay in going live with the 2023 Annual Statutory Returns system. The anticipated date will be announced once the system is live, but it is only expected to go live at the beginning of May 2024.

Your co-operation will be highly appreciated.



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